WesternOne Equity

WesternOne Equity Income Fund

CONSOLIDATED FINANCIAL STATEMENTS

For the period from June 14, 2006 to December 31, 2006

To the Unitholders of:

WesternOne Equity Income Fund:

We have audited the consolidated balance sheet of WesternOne Equity Income Fund as at December 31, 2006 and the consolidated statements of income, unitholders' equity and cash flows for the period from June 14, 2006 to December 31, 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and the results of its operations and its cash flows for the period from June 14, 2006 to December 31, 2006 then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Nanaimo, British Columbia

February 14, 2007

Chartered Accountants

MANAGEMENT'S RESPONSIBILITY

To the Unitholders of
WesternOne Equity Income Fund (the "Fund"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee of the Board of Trustees of the Fund is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is also responsible for recommending the appointment of the Fund's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, has been appointed by the Audit Committee to audit the financial statements and report directly to the Unitholders; their report follows. The external auditors have full and free access to both the Audit Committee and management to discuss their audit findings.

March 9, 2007

"Darren Latoski"

Chief Executive Officer
WesternOne Equity Income Fund

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WesternOne Equity Income Fund

CONSOLIDATED BALANCE SHEET
As at December 31, 2006

ASSETS		
CURENT ASSETS		
Cash	$	387,397
Short term investments		1,224,942
Accounts receivable		2,417,748
Inventories		708,419
Deposits and prepaid expenses		285,798
		5,024,304
PROPERTY AND EQUIPMENT (Note 4)		13,520,808
DEFERRED FINANCING COSTS (Note 5)		1,207,906
INTANGIBLE ASSETS (Note 6)		13,451,499
	$	33,204,517
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Operating loan (Note 7)	$	61,596
Accounts payable and accrued liabilties		550,359
Distributions payable		389,731
Loans payable (Note 7)		6,427,117
		7,428,803
SERIES A DEBENTURES (Note 8)		8,964,209
		16,393,012
UNITHOLDERS' EQUITY		16,811,505
	$	33,204,517

COMMITMENTS (Note 11)

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

(Signed) "Darren T. Latoski"
Trustee

(Signed) "Douglas R. Scott"
Trustee

See accompanying Notes to the Consolidated Financial Statements

WesternOne Equity Income Fund

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY
For the period from June 14, 2006 to December 31, 2006

	Fund Units (Note 9)	Series A Debentures (Note 8)	Cumulative earnings	Cumulative distributions	Total	Units Outstanding
Balance, beginning of period	$ 320,000	$ -	$ -	$ -	**$ 320,000**	1,600,000
Issuance of units on initial public offering	16,000,000				**16,000,000**	4,571,429
Issuance costs of units on initial public offering	(1,696,531)				**(1,696,531)**	
Issuance of units on over-allotment	835,174				**835,174**	238,621
Issuance costs of units on over-allotment	(102,965)				**(102,965)**	
Fair value of Agents' Option	129,111				**129,111**	
Equity component of Series A Debentures		1,116,250			**1,116,250**	
Net income			1,528,372		**1,528,372**	
Distributions declared				(1,317,906)	**(1,317,906)**	
BALANCE, END OF PERIOD	**$ 15,484,789**	**$ 1,116,250**	**$ 1,528,372**	**$ (1,317,906)**	**$ 16,811,505**	6,410,050

See accompanying Notes to the Consolidated Financial Statements

WesternOne Equity Income Fund

CONSOLIDATED STATEMENT OF INCOME
For the period from June 14, 2006 to December 31, 2006

REVENUE		
Equipment rental	$	4,605,164
Equipment sales		1,143,741
Logistical support		545,286
Parts and service		353,314
Interest		14,931
		6,662,436
COST OF SALES		
Equipment sold		935,732
Commission		291,813
Re-rental		216,399
Other		96,277
		1,540,221
GROSS INCOME		5,122,215
OPERATING EXPENSES		
General and administrative		576,034
Freight		633,974
Service		665,844
Sales		143,535
Interest on Series A Debentures		340,274
Interest on long term debt		155,755
Amortization of property and equipment		401,668
Amortization of intangible assets and deferred financing costs		596,300
Accretion of Series A Debentures		80,459
		3,593,843
INCOME AND CUMULATIVE EARNINGS	$	1,528,372
Basic income and cumulative earnings per unit	$	0.30
Diluted income and cumulative earnings per unit	$	0.25
Basic weighted average number of units outstanding		5,055,335
Diluted weighted average number of units outstanding		7,543,430

See accompanying Notes to the Consolidated Financial Statements

WesternOne Equity Income Fund

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from June 14, 2006 to December 31, 2006

OPERATING ACTIVITIES		
Income	$	1,528,372
Items not affecting cash -		
Amortization of property and equipment		401,668
Amortization of intangible assets and deferred financing costs		596,300
Accretion of Series A Debentures		80,459
Loss on write down of assets		16,721
Gain on sale of property and equipment		(74,746)
		2,548,774
Changes in non-cash working capital balances -		
Accounts receivable		12,757
Inventories		177,802
Deposits and prepaid expenses		(264,378)
Accounts payable and accrued liabilties		(629,822)
		1,845,133
INVESTING ACTIVITIES		
Purchase of short term investments		(1,224,942)
Purchase of property and equipment		(1,084,848)
Proceeds from the sale of property and equipment		301,550
Acquisition of Production Equipment Rentals Company (Note 1)		(29,181,910)
		(31,190,150)
FINANCING ACTIVITIES		
Proceeds from capital loans		6,500,000
Repayments of capital loans		(72,883)
Costs to obtain new credit facilities		(123,469)
Initital public offering of Series A Debentures, net of expenses		8,939,668
Issuance of Fund Units to founders (Note 9)		320,000
Initital public offering of Fund Units, net of expenses (Note 9)		14,303,469
Over-allotment of Fund Units, net of expenses (Note 9)		732,208
Distributions paid		(928,175)
		29,670,818
NET CHAGE IN CASH DURING THE PERIOD		325,801
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		-
CASH AND CASH EQUIVALENTS, END OF PERIOD (NET)	$	325,801
Supplemental cash flow information:		
Interest received	$	14,931
Interest paid		496,030

See accompanying Notes to the Consolidated Financial Statements

1. ORGANIZATION, NATURE OF OPERATIONS AND ACQUISITION

(a) Organization

WesternOne Equity Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and governed by the declaration of trust governed by the laws of British Columbia. The Fund is authorized to issue an unlimited number of units and special voting units. Each holder of a unit participates pro rata in any distribution of the Fund.

The Fund was initially established to indirectly acquire the assets of Production Equipment Rentals Company and such other investments as the trustees of the Fund (the "Trustees") may determine. The Fund holds a 100% indirect interest in WEQ Production Equipment LP, a limited partnership established under the laws of Manitoba on June 15, 2006.

(b) Nature of operations

The Fund commenced operations on August 15, 2006, when it completed its initial public offering and its indirect subsidiary, WEQ Production Equipment LP, acquired the assets of Production Equipment Rentals Company.

WEQ Production Equipment LP specializes in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers in British Columbia.

(c) Acquisition

On August 15, 2006 ("Closing"), the Fund completed a public offering of 4,571,429 units of the Fund ("Units") at $3.50 per Unit, and 100,000 5-year 9% senior secured convertible debentures – Series A ("Series A Debentures") at $100 per Series A Debenture (the "Offering") for net proceeds of $23,243,137, after deducting expenses of the Offering of $2,756,863. The Fund used the net proceeds of the Offering, together with funds from new credit facilities, to acquire a 100% indirect interest in WEQ Production Equipment LP for $29,181,910. In accordance with the purchase agreement, the final purchase price was inclusive of an additional $2,181,910 for net property and equipment additions acquired by the vendors of Production Equipment Rentals Company (the "Vendors") between January 1, 2006 and Closing.

The purchase was subject to a working capital adjustment which required the difference between specified items of working capital delivered on the initial acquisition and $1,300,000 to be settled through a cash payment. The working capital excess of these specified items delivered upon acquisition was determined to be $820,219 and has been reflected as "Due to Vendors" in the purchase equation. $750,000 of this amount was paid to the Vendors on September 30, 2006.

The Fund entered into an escrow agreement with the Vendors as part of the Closing (the "Escrow Agreement"). Under this agreement, $500,000 was placed into an interest-bearing account by the Vendors, with the income to accrue to the benefit of the Vendors, to be reduced by any claims for understated liabilities or breaches of representations, warranties or covenants (the "Escrow Amount"). 50% of the Escrow Amount, net of reserves for any settled claims, is to be released to the Vendor six months after Closing and that the remainder of the Escrow Amount along with any accrued interest, net of any additional reserves for claims, is to be released to the Vendor 12 months following Closing. The Escrow Agreement also provides that claims must be made by WEQ Production Equipment LP within 12 months following Closing or the ability to make a claim thereunder will be lost, and any disputed claims will not be paid out until either settled voluntarily or after an arbitrator's award is made.

The purchase price was paid in cash, and the allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Allocation of purchase price:	
Accounts receivable, net	$ 2,430,505
Inventories	886,221
Prepaids	21,420
Accounts payable	(354,962)
Due to Vendors	(825,219)
Property and equipment	13,081,152
Intangible assets (note 6)	13,942,793
	$ 29,181,910

2. BASIS OF PRESENTATION

The Fund has consolidated the assets, liabilities and equity of all subsidiaries after the elimination of inter-entity transactions and balances. The consolidated financial statements include the accounts of the Fund, and its wholly owned subsidiaries, WesternOne Equity GP Inc. and WesternOne Equity Operating Trust. These two subsidiaries in turn include the accounts of their own wholly owned subsidiaries, WesternOne Equity Limited Partnership, WEQ Production Equipment GP Inc., and WEQ Production Equipment Limited Partnership. All of the above wholly owned subsidiaries were acquired during June 2006 upon their incorporation, registration or settlement.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and accompanying notes ("Financial Statements") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring significant management estimates include the valuation, impairment and useful life of intangible assets and property and equipment. These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Other areas requiring the use of management estimates include the allocation of accounts receivable for the calculation of year end accruals, and the valuation of accounts receivable and service parts inventory.

Changes to the underling assumptions and estimates or legislative changes in the near term, such as those described in Note 15(a), could have a material impact on any provision recognized.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates with a stated maturity date of 90 days or less at year end, less the operating loan.

(c) Short term investments

Short term investments consist of guaranteed investment certificates with a stated maturity date of greater than 90 days and less than one year at year end. These amounts may be converted to cash at any time prior to maturity, but if they are converted within 30 days of their initiation, any accrued interest will be forfeited. These short term investments are valued at the lower of their cost and market value, which are substantially the same at year end.

(d) Inventories

New and used equipment inventories are recorded at the lower of cost and net realizable value, with cost determined on a specific item basis. New and used equipment inventory write-downs are included in cost of sales.

Parts inventories are valued at the lower of cost and net realizable value, with cost generally being determined on a "first-in, first-out" basis. Parts inventory write-downs are included in service expense.

(e) Property and equipment

Property and equipment is recorded at cost. The Fund amortizes its property and equipment over their estimated useful lives on a straight-line basis as follows:

Rental fleet*	10 years
Tractors and trailers	7 years
Furniture, fixtures and equipment	5 years
Computer equipment and software	5 years
Leasehold improvements	lesser of 5 years and the initial term of the lease

**net of 25% salvage value.*

Amortization commences in the month in which the related assets are acquired, and therefore there is no reduction in the rate for the year of acquisition.

Management reviews these assets for impairment periodically (at least annually) and whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows from their expected use and eventual disposition. If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Any impairment is included in income for the year.

(f) Deferred financing costs

Financing costs incurred to obtain new credit facilities and costs incurred to issue Series A Debentures are deferred on the balance sheet and amortized on a straight line basis over the life of the related debt.

The fair value of the Agents' Option is amortized on a straight line basis over the option period.

(g) Intangible assets

Identifiable intangible assets are recorded at cost, less any provision for permanent impairment. The Fund does not amortize its assets with indeterminable lives. The Fund amortizes its intangible assets with determinable lives over their estimated useful lives on a straight-line basis:

Customer relationships ………………………………………………	10 years
Brand name ………………………………………………………………..	Nil
Supplier agreements …..…………………..……………………………….	Nil

Management reviews these assets for impairment periodically (at least annually) and whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows from their expected use and eventual disposition. If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Any impairment is included in income for the year.

(h) Revenue Recognition

Revenue from rental contracts and logistical support is recognized in the period in which the related services have been provided, and collectability is reasonably assured.

Service revenue, comprised of the sale of parts and equipment servicing, is recognized when the parts are delivered and the related services have been rendered, and collectability is reasonably assured.

Revenue from equipment held for resale is recognized at the time at which the contract is signed by the purchaser, all significant risks and rewards of ownership have been transferred to the purchaser, and collectability is reasonably assured.

(i) Foreign Currency Translation

Assets bought and sold during the period and transactions relating to income in foreign currencies are translated into Canadian dollars at the average noon exchange rate for the month in which the transactions occurred. Monetary assets and liabilities in foreign currencies at the close of the period are translated into Canadian dollars at the rate prevailing at the period-end.

Foreign exchange gains or losses arise from recording the difference between foreign currency balances translated at rates prevailing at period-end and balances translated at rates prevailing on transaction dates. Foreign currency gains and losses are included in the results of operations in the period in which they occur.

(j) Income per Unit

Basic income per Unit of the Fund is calculated by dividing income by the weighted average number of Units outstanding during the reporting period. Diluted income per Unit is calculated by dividing income by the sum of the weighted average number of Units outstanding used in the basic income per Unit calculation and the number of Units that would be issued assuming a dilutive effect of the conversion of the Series A Debentures (note 8) and/or the exercise of the Agents' Option (note 10). The impact of the conversion feature is calculated using the if-converted method, and the impact of the Agents' Option is calculated using the treasury stock method.

(k) Long-term incentive plan

Under the terms of a long-term incentive plan ("LTIP"), 15% to 20% of distributable cash in excess of an established threshold may be set aside, subject to approval of the Compensation Committee of the Fund, to purchase Units of the Fund, as required, in the market for certain employees. The cost is accrued in the period when distributable cash exceeds the thresholds established by the LTIP and amortized to general and administrative expenses over the vesting period of the applicable employee award.

(l) Future accounting standard changes

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for realizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments – Disclosure and Presentation* discusses the disclosure and presentation of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 *Equity* establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There have also been numerous consequential amendments made to other Sections. The Fund expects to apply these new recommendations for its interim financial statements dated March 31, 2007. Transitional provisions are complex and vary based on the type of financial instruments under consideration. However, the Fund does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

4. PROPERTY AND EQUIPMENT

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	$ 13,667,235	$ 383,061	$ 13,284,174
Tractors and trailers	119,535	6,530	113,005
Furniture, fixtures and equipment	30,681	2,311	28,370
Computer equipment and software	32,894	1,159	31,735
Leasehold improvements	68,301	4,777	63,524
	$ 13,918,646	$ 397,838	$ 13,520,808

5. DEFERRED FINANCING COSTS

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Costs for issuance of Series A Debentures	$ 1,060,332	$ 79,525	$ 980,807
Fair value of Agents' Option	129,111	16,139	112,972
Costs to obtain new credit facilities	123,469	9,342	114,127
	$ 1,312,912	$ 105,006	$ 1,207,906

6. INTANGIBLE ASSETS

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 12,961,793	$ 491,294	$ 12,470,499
Brand name	713,000	n/a	713,000
Supplier agreements	268,000	n/a	268,000
	$ 13,942,793	$ 491,294	$ 13,451,499

These assets have no basis for tax purposes.

7. OPERATING LOAN AND CAPITAL LOANS

	Approved	December 31, 2006	
Operating loan	$ 2,000,000	$ 61,596	
Capital loans:			
Non-revolving	3,500,000	3,456,790	*
Revolving	4,000,000	2,970,327	
	7,500,000	6,427,117	
	$ 9,500,000	$ 6,488,713	

** Inclusive of banker's acceptance of $3,111,000 established at Closing and maturing on August 14, 2007*

A single Canadian chartered bank (the "Bank") has made the above operating loan and capital loans available to WEQ Production Equipment LP, which is indirectly owned by the Fund.

The Bank has provided the operating loan on an interest only basis, and is payable upon demand. The operating loan is at the Bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 50% of inventory up to a limit of $0.75 million and 75% of acceptable accounts receivable, minus priority claims. The covenant requirements include a minimum level of tangible net worth of $3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank.

The above capital loans are repayable on demand and unless and until demanded in monthly installments, with interest at the Bank's prime rate plus 0.65% per annum or 1.60% above banker's acceptance rates, secured by a general security agreement and a personal guarantee. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants specifying a minimum level of tangible net worth of $3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank.

Interest only is payable on the above capital loans for the first three monthly installments following Closing.

Assuming that the contractual requirements of the capital loans are met, and the demand feature is not exercised by the Bank, the minimum repayments required are as follows:

2007	$944,448
2008	944,448
2009	944,448
2010	944,448
2011	2,649,325

8. SERIES A DEBENTURES

As part of the Offering, the Fund issued 100,000 5-year 9% senior secured convertible debentures – Series A ("Series A Debentures") at $100 per Series A Debenture, for proceeds of $10,000,000.

At maturity the Fund shall repay the outstanding principal amount of the Series A Debentures, along with any accrued or unpaid interest, or at the Fund's sole option upon providing not less than 30 days' notice and not more than 60 days' notice, the Series A Debentures shall be converted into such number of Units as is determined by dividing the principal amount of Series A Debentures plus accrued and unpaid interest by the value of Units obtained by calculating 95% of the weighted average trading price of the Units during the prior 20 consecutive days that the Units traded on the TSX Venture Exchange or Toronto Stock Exchange (collectively the "Exchange").

The holders of Series A Debentures are permitted to convert all or any part of the principal of, and accrued interest on, the Series A Debentures held by them into Units at the conversion price of $4.20 per Unit at any time prior to the maturity of the Series A Debentures except in respect of the 15 days before an interest payment date or the maturity date, subject to anti-dilution provisions which provide for adjustment to the conversion price in certain circumstances, including a subdivision, redivision, reduction, combination or consolidation of Units. In order to convert the Series A Debentures, a holder of Series A Debentures must present the Series A Debentures to Computershare Trust Company of Canada in accordance with the terms of the Series A Debentures.

The Fund may not redeem the Series A Debentures at any time before August 16, 2008. At any time after August 15, 2008, providing not less than 30 days' notice and not more than 60 days' notice, the Fund may redeem the Series A Debentures at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption, provided that the Current Market Price (defined as "the weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending on the fifth trading preceding such date, of the Units of the day preceding the date") on which notice of redemption is given is at least 125% of the conversion price.

As required by Canadian GAAP, the Fund separated the liability and equity component of the Series A Debentures. The Fund determined the fair value of the liability component of the Series A Debentures by calculating the present value of the associated cash flows, using a discount rate that reflects the Fund's underlying rate of borrowing. The Fund determined the fair value of the conversion feature at the issue date of the Series A debentures using the Black-Scholes pricing model, using the assumptions disclosed in Note 10, except that the expected life is five years. The resulting pro rate fair values of the liability component of the Series A Debentures and the conversion feature of the Series A Debentures, was $8,883,750 and $1,116,250 respectively. The liability component will be accreted to $10,000,000 over the term of the Series A Debentures through the recording of an accretion expense, until such date when the underlying Series A Debentures are converted into Units.

Cash financing costs in the amount of $1,060,332 were incurred in the issuance of the Series A Debentures.

The following summarizes the face and carrying value of the liability and equity component of the Series A Debentures at December 31, 2006:

	Liability Component		**Equity Component**
	Face Value	Carrying Value	Fair Value
Issuance of Series A Debentures	$ 10,000,000	$ 8,883,750	$ 1,116,250
Accretion expense		80,459	
	$ 10,000,000	$ 8,964,209	$ 1,116,250

The Series A Debentures rank senior to the Units, pari passu in all respects with any other Series A Debentures issued from time to time, and are subordinate to senior security and permitted encumbrances.

9. FUND UNITS

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts and in the net assets of the Fund in the event of termination or winding up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the Unitholders thereof to one vote at all meetings of voting Unitholders.

Following the creation of the Fund, 1,600,000 Units were issued to the founders of the Fund on June 23, 2006 at $0.20 per Unit, for cash proceeds of $320,000.

As part of the Offering, the Fund issued 4,571,429 Units at $3.50 per Unit for net proceeds of $14,303,469, after deducting expenses of the Offering of $1,696,531.

The Fund granted the agents of the Offering (the “Agents”) the option to purchase additional Units, exercisable for a period of 30 days from Closing (the “Over-Allotment”). Prior to the expiry of the Over-Allotment, the Agents purchased 238,621 additional Units on August 31, 2006, for net proceeds of $732,208, after deducting expenses of the Over-Allotment of $102,965.

The fair value of the Agents’ Option to purchase Units was estimated as being $129,111 (see Note 10).

During the period from the creation of the Fund on June 14, 2006 to December 31, 2006, a total of 6,410,050 Units were issued for $17,155,174, excluding offering costs and Agents’ Option (see Note 10).

The Units are redeemable at any time on demand by the holders thereof, subject to certain terms and conditions. The total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the Trustees of the Fund may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month.

10. AGENTS’ OPTION

At Closing, the Agents were granted an option to purchase, for additional consideration, that number of Units and principal amount of Series A Debentures equal to 5% of the Units and principal amount of Series A Debentures issued under the Offering at a price equal to the price under the Offering ($3.50 per Unit and $100.00 per Series A Debenture) (the “Agents’ Option”). The Agents’ Option will expire on August 14, 2009.

As required by Canadian GAAP, the Fund determined the fair value of the Agents’ Option using the Black-Scholes pricing model. The fair value of the option to purchase Series A Debentures is included in deferred financing costs and Unitholders’ Equity. The fair value of the option to purchase Units was not recorded as it would have had no impact on assets, liabilities, unitholders’ equity or income. The following assumptions were used to estimate the fair value:

- Risk free interest rate of 4.3%
- Expected life of 3 years
- Expected volatility of 100%
- Expected distribution of $0.49.

11. COMMITMENTS

(a) Minimum operating lease commitments

The Fund has entered into 14 operating lease agreements for vehicles and trailers. The leases require monthly payments ranging from $520 to $2,687 (exclusive of taxes and insurance) and have maturity dates ranging to April 6, 2011. The minimum operating lease commitments are as follows:

2007	$209,175
2008	156,462
2009	129,908
2010	103,070
2011	14,160

(b) Minimum rental commitments

The current lease agreement was renegotiated on November 30, 2006 and has been renewed for a further period of five years, commencing December 1, 2006 and ending November 30, 2011. The new lease requires annual rental payments of $168,000, payable in monthly instalments of $14,000. The minimum rental commitments are as follows:

2007	$168,000
2008	168,000
2009	168,000
2010	168,000
2011	154,000

The Fund periodically rents temporary space on an as required basis.

12. FINANCIAL INSTRUMENTS

(a) Fair value

Financial instruments consist of cash, short term investments, operating loan, accounts receivable, accounts payable and accrued liabilities, distributions payable, loans payable and Series A Debentures. The carrying values of the financial instruments, except for the loans payable and Series A Debentures, are considered to approximate their fair values due to their short term nature. The fair values of the loans payable are considered to approximate their carrying values as the instruments bear interest at floating rates. The fair value of the Series A Debentures at year end was $9.5 million.

(b) Interest rate risk

The Fund's operating loan and capital loans payable bear interest at variable rates. The Fund uses short-term instruments in the form of a bankers' acceptance to reduce its exposure to interest rate risk.

(c) Foreign exchange risk

As at December 31, 2006, the Fund's balance sheet included $38,013 of accounts payable which were U.S. currency denominated and converted at the December 31, 2006 Bank of Canada closing exchange rate of 1.1177.

The Fund does not use derivative instruments to reduce its exposure to foreign exchange risk.

(d) Credit risk

The Fund is exposed to credit risk with respect to its accounts receivable. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses, and historical losses have been within management's expectations.

13. SEGMENTED INFORMATION

Through its indirect ownership of WEQ Production Equipment LP, the Fund currently operates in one industry segment: the renting, selling and servicing of quality high reach and material handling equipment and the provision of logistical support to its customers in British Columbia.

14. RELATED PARTY TRANSACTIONS

The Fund has not entered into any related party transactions.

15. SUBSEQUENT EVENTS

(a) Proposed Changes to the Canadian Federal Income Tax Treatment of Income Trusts

On October 31, 2006, the Minister of Finance (Canada) announced new tax proposals concerning the taxation of income trusts and other flow-through entities and tabled a Notice of Ways and Means Motion to amend the Income Tax Act in that regard (the "October Proposal"). The October Proposal was followed on December 21, 2006 by the release of draft legislation by the Department of Finance (Canada) (the "draft legislation" and, together with the October Proposal, the "2006 Proposed Amendments") concerning the distribution tax on publicly traded income trusts and partnerships. The 2006 Proposed Amendments, if enacted as currently drafted, will subject the Fund to trust level taxation as of January 1, 2011, which will reduce the amount of cash available for distributions to unitholders. Based on the proposed rate of such tax, the Fund estimates that the enactment of the 2006 Proposed Amendments will, commencing on January 1, 2011, reduce the amount of cash available to the Fund for distribution to its unitholders by an amount equal to 31.5% multiplied by the amount of pre-tax income (other than taxable dividends) distributed by the Fund and there can be no assurance that the Fund will be able to maintain the level of distributions commencing in 2011. There can be no assurance that the Fund will be able to retain the benefit of the deferred application of the new tax regime until 2011. If the Fund is deemed to have undergone "undue expansion", as described in the Guidelines on Normal Growth issued by the Department of Finance (Canada) on December 15, 2006, during the period from and including November 1, 2006 to December 31, 2010, the 2006 Proposed

Amendments would become effective on a date earlier than January 1, 2011. Loss of the benefit of the deferred application of the new tax regime until 2011 could have a material and adverse effect on the value of units.

On December 15, 2006, the Department of Finance (Canada) issued a press release that provides guidance on what the Department of Finance means by normal growth (the "Normal Growth Guidelines"). The Department of Finance indicated that an income trust or other flow-through entity will not lose the benefit of the deferred application of the new tax regime to 2011 if the aggregate amount of new equity (which will include units and debt that is convertible into units and potentially other substitutes for such equity) issued by it before 2008 does not exceed the greater of $50.0 million and an objective "safe harbour" amount equal to 40% of the trust's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a trust's issued and outstanding publicly-traded units (not including debt, options or other interests that were convertible into units of the trust)) ("October 31, 2006 Market Capitalization"). The "safe harbour" for the intervening years up to 2011 will be as follows:

Time Period	Safe Harbour Amount
November 1, 2006 to December 31, 2007	Greater of $50 million or 40% of October 31, 2006 Market Capitalization
2008	Greater of $50 million or 20% of October 31, 2006 Market Capitalization
2009	Greater of $50 million or 20% of October 31, 2006 Market Capitalization
2010	Greater of $50 million or 20% of October 31, 2006 Market Capitalization

As the above-noted table illustrates, in the aggregate, a publicly traded income trust or other flow-through entity can incrementally increase its equity capital by the greater of $200 million or 100% of its October 31, 2006 Market Capitalization.

(b) Information systems

On January 29, 2007, the Fund installed new rental management software and infrastructure for WEQ Production Equipment LP. This software is expected to be operational by April 2, 2007, and its overall cost, including hardware additions and training, is expected to approximate $80,000.

(c) Collective Agreement

The Fund has a collective agreement with the International Union of Operating Engineers, Local 115, which stipulates the hours, wages and benefits for certain of the Fund's employees. The current agreement expires June 30, 2007.

(d) Recently announced acquisition

On January 29, 2007, the Fund announced that it had signed a letter of intent to purchase the assets of an equipment rental company with two locations on Vancouver Island. The transaction is expected to be completed, subject to due diligence, in April 2007.